

## **The Impact of Right-Wing Populism on Taxation Policy in the United States and Canada**

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This paper looks at the impact of populist politics on tax policies in the United States and Canada. In recent years, governments in both countries have contained or even reduced individual and corporate income tax rates. The reasons often cited for these actions frequently include economic competitiveness under neo-liberal globalization, the influence of corporate power or allied think tanks, or – especially in the United States – a political culture prone to anti-government and anti-tax sentiments. While not entirely ignoring these explanations, this paper focuses on the specific role of right-wing populism in this process.

The paper begins with defining and examining the nature of populism in North America. It proceeds with a brief look, first, at the history of populism and taxation in the United States; and, then, second in Canada. The paper finishes with a brief examination of some of the political and social forces underlying these right-wing populist appeals.

### **Populism in North America**

The term "populism" is best understood if we consider its central elements (Conway 1978; Harrison, 1995). First, populist movements and parties appeal to a mass audience, specifically a group defined as "the people." Second, this appeal is made urgent by the perception of a crisis threatening "the people." Third, the source of this threat is an identifiable group (a "power bloc"), sometimes geographically but more often socio-culturally "external" to "the people," including various elites. In short, term *populism* refers to an urgent and personal appeal by a leader to a mass audience, "the people," an imagined group defined by its historic, geographic, and/or cultural roots and threatened by a crisis emanating from another loosely defined group, a "power bloc" made up of

elites and other elements viewed as physically or culturally external to “the people” (Harrison, 2000: 108).

The term's specific use is relatively recent. It originated in Russia in the turbulent 1870s (Di Tella, 2001) when, following the emancipation of the serfs, many were seeking a third way between capitalist modernization and Marxist socialism. By the mid-20<sup>th</sup> century, the term had become a political vehicle for nationalist mobilization in Latin and South America, but also broadly associated with corporatism and clientelism (see Rea et al., 1992). In Europe, populism had become tied to both racial-nationalist (right-wing) and class (left-wing) appeals, though –in the case of southern countries such as Greece – also linked to clientelism.

Based on U.S. experiences, Canovan (1981:8) distinguished between two broad types of populism: agrarian populism, defined by “a particular kind of socioeconomic base (peasants or farmers), liable to arise in particular socio-economic circumstances (especially modernization of one sort or another), and perhaps sharing a particular socioeconomic program”; and political populism, defined as a “particular kind of political phenomenon where the tensions between the elite and the grass roots loom large.”

Based on Canadian experiences, Richards (1981), Laycock (1990), and Harrison (1995) also developed several typologies of the populism. Richards' (1981) characterization of populist movements is particularly useful to this discussion. Employing a traditional left-right dichotomy, Richards' describes left populism in Canada as involving a class orientation that critiques corporate capitalism and demands a greater role for the government and state to counter corporate power. By contrast, he argues that right populism has tended to mobilize along regional lines, and – not ignoring the corporate power of banks, the money supply, and credit – has viewed big government as the primary bloc opposing the people.

The history of populism in the United States and Canada follows generally this left-right dichotomy, beginning with the ascendance of left populism in the early twentieth century up to the 1970s, and the relative dominance of right populism in the years since. One important addition to the latter has been an accentuation of individualism – especially of individual liberty and freedom – at the centre of right-populist appeals; an appeal with particular resonance with American political culture, especially in regards to the issue of taxation.

### **Taxation and Populism in the United States**

At least apocryphally, anti-tax sentiment is viewed as a foundational element in U.S. political culture dating to the Boston tea party revolt of 1773 when protesters dumped British tea into Boston harbor over British laws requiring them to pay an import levy is one of that country's seminal symbolic moments (Lepore, 2010). But, in fact, taxation in the U.S. was constrained by its pre-industrial and pre-modern configuration as a state into the mid-19<sup>th</sup> century. As in many countries, taxation in the United States by and large took the form of poll (or head) taxes, excise taxes, and tariffs – the latter as part of a policy of industrial development. A brief exception to this tax regime occurred during the Civil War (1861-1865) when – faced with a revenue problem – the Union government introduced an individual income tax. The tax was dropped federally with the cessation of conflict, though some states continued its use.

But industrial development and imperial expansion later in the century renewed the need for greater and more stable tax revenues, for which excise taxes alone were insufficient. Rapid industrial expansion led to important social changes – among them, immigration, urbanization, and new class formations – that in turn also led to increased political conflict during what became known as America's Gilded Age (Gordon et al., 1982). Amidst growing social inequality, the term “populism” was coined in 1892 by American journalists describing supporters of the nascent People's Party (made up mainly of farmers and small business people) that was founded that year in opposition to America's industrial aristocracy and the existing political establishment. The rise of populism in defence of the “common man” against the elites underpinned the later presidency of Theodore Roosevelt (1901-1909) whose administration led an anti-trust movement against the moneyed interests. It was during this period that individual income taxes were temporarily enacted, followed in 1913 by the passage of the Sixteenth Amendment to the Constitution that permanently instituted both individual and corporate income taxes.

Populist politics gained further traction in the U.S. as a vehicle of political expression during the Great Depression of the 1930s. Its propagators often took a demagogic form as in the case of Louisiana's Governor Huey Long or Father Coughlin. As the depression wore on, however, populism found a more moderate, and left-of-centre alternative in President Franklin Delano Roosevelt

Roosevelt's "New Deal" and the Second World War that followed demanded greater financial resources. The implicit (and often explicit) promises made to the citizenry in fighting the war meant further changes to the tax structure to pay for the programs implemented after 1945 as part of the post-war welfare state.

Into the 1960s, progressive-style politics in the U.S. continued to have appeal; witness, for example, the Johnson era's War on Poverty. But the tax base, compared with European countries, was relatively small, reflecting the essentially liberal form of the American welfare state (Olsen, 2002). Moreover, much of U.S. tax revenue went to military purposes during the Cold War and very hot wars (Viet Name, etc.) in which the United States found itself engaged, especially beginning in the early 1960s. As the 1970s began, the U.S. economy entered a period of stagnation made worse by the OPEC crisis of 1973. The U. S. anti-tax movement found its start amidst these accumulating crises, yet – according to W. I. Martin (2008) – did so in an unexpected manner.

Martin, in fact, traces the beginning of the recent anti-tax movement in the United States to the early 1970s, specifically (almost innocuously) to arguments over the property tax. He contends the revolt against property taxes was not based – as right-wing political commentators later argued – on taxes being too high, but rather against tax reforms of the period that, while increasing "the fairness of the property tax also exposed taxpayers to new income shocks" (p. 4). Martin goes on to elaborate on this argument (pp. 4-5):

By modernizing and standardizing tax assessment, the reformers did away with traditional and informal tax breaks that dated from the late nineteenth century. Local tax assessors had dispensed these informal tax privileges unevenly and often arbitrarily. But most homeowners received substantial benefit from them. When they were swept away, homeowners fought to restore them in a new and permanent form.

Martin's argument is even more complex, however. He demonstrates that fractional assessments – "the custom of taxing people on only a fraction of the value of their taxable property" (p. 6) – while often inconsistent, acted as a kind of "hidden social policy," providing protection against sudden economic downturns.

In effect, the system of property taxation acted to supplement America's formally "small and stingy" welfare state (p. 8), early noted (Olsen, 2002). The tax revolt began as an effort to defend the "invisible welfare state" (Martin, 2008: 15), thus protecting Americans from market uncertainties.<sup>1</sup>

The property tax revolt fit the aims of a larger project of smaller government being pursued by entrenched corporate and political right-wing interests. Buttressing their efforts were a growing cadre of right-wing think tanks, lobbyists, and intellectuals (e.g., Ayn Rand, Friedrich Hayek, and Milton Friedman), who sought an end to the post-war Keynesian compromise in favour of free market capitalism and – to the issue at hand – lower individual and corporate taxes.

These anti-tax forces found their champion in Ronald Reagan, whose post-Hollywood career included a stint as California governor – a state where the anti-tax movement was particularly strong. In 1980, Reagan took his small government, populist rhetoric<sup>2</sup> to Washington where policies of privatization, deregulation, and low taxes soon were implemented. Seminal in the changes enacted were the Reagan administration's 1986 tax reforms – which saw the number of individual income brackets reduced, with higher marginal earners receiving a tax reduction and lower income earners receiving a tax increase – and the corporate tax rate similarly reduced. Reagan's tax policies reflected the increasingly entrenched belief tax cuts were revenue neutral as they stimulating growth; the expanding economy therefore brought in additional money. In effect, the policies utilized the notion of a Keynesian stimulus (see Micklethwait and Wooldridge, 2004). Critically, however, the policies lacked a shut-off or saving mechanism at the top end of the boom cycle and, in fact, set the stage for a dangerously over-heated economy.

Be that as it may, the policy of low taxes became thereafter the Republican Party's official mantra, fueled by several well-heeled think tanks and lobbying groups that appropriated populist rhetoric and who saw limiting and reducing taxes as a means of shrinking government. In the words of Grover Norquist, founder the lobby group

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<sup>1</sup> The lowering of mortgage requirements under the Clinton administration and the giving of easier credit by financial institutions in order to assist "all Americans" to be home owners was a leading cause of the financial crisis that began in 2007.

<sup>2</sup> Late in his second term, Reagan told an assembly of farmers what he deemed were the ten most dangerous words in the English language: "Hi, I'm from the Government, and I'm here to help" (Reagan, 1988).

Americans for Tax Reform in the mid-1980s, "I'm not in favor of abolishing the government. I just want to shrink it down to the size where we can drown it in the bathtub."<sup>3</sup>

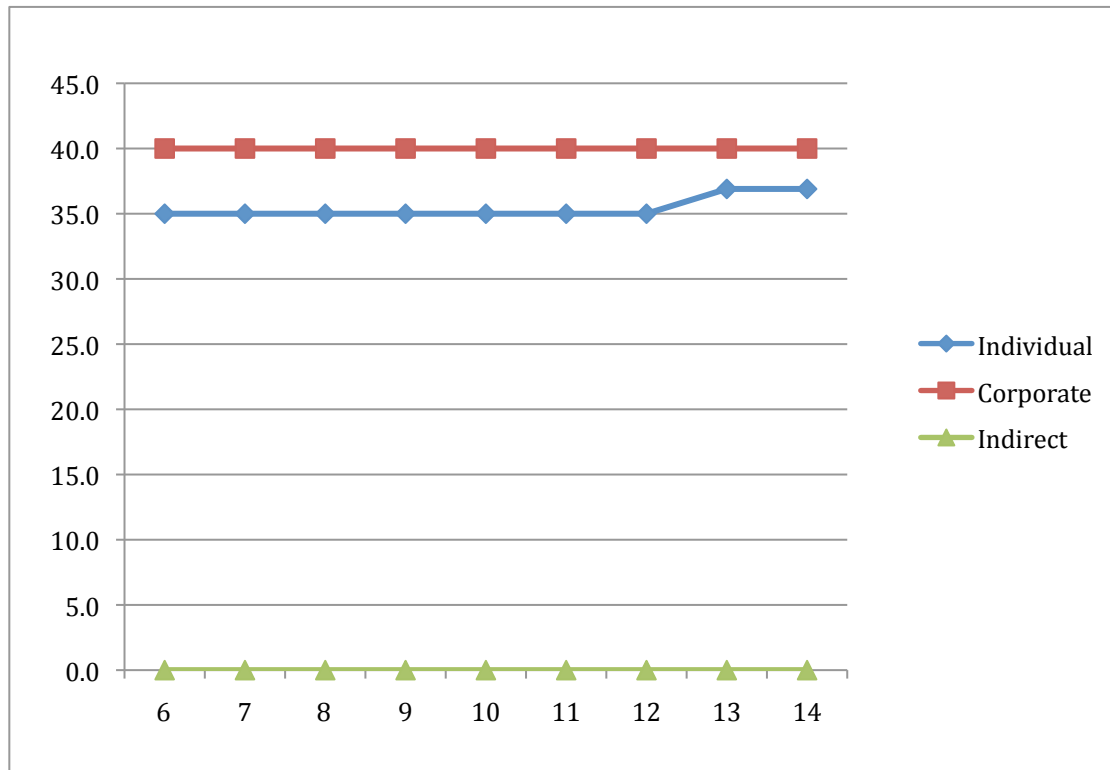
By the 1990s, anti-government, anti-tax sentiment had lodged itself firmly within the U.S. political culture and found few challengers within the two major political parties. Neither the Republican administration of George Herbert Bush nor the Democratic administration of Bill Clinton reversed the trends set in place by Reagan. Indeed, the latter administration enacted a series of neo-liberal policy changes that furthered the tax advantages of corporations and the wealthy.

The real test of anti-tax sentiment came after the terrorist attacks on New York and Washington in September 2001, however. Wars cost money, the endless Middle East conflicts especially so, to which the Great Recession beginning in 2007 added. In 2001, the U.S. debt to GDP ratio was less than 50 percent, but has risen steadily since, hitting 64.8 percent in 2008 and 101.53 percent in 2014 (Trading Economics, 2015). A raise in corporate, individual, or other taxes, or a search for other sustainable sources of revenue, might appear a reasonable response to the growing debt crisis. But such was not in the cards. Instead, in the years after the election of Barack Obama as president in 2008, as the debt grew larger, the U.S. political system – the White House, the Congress, and the Senate – have grown increasingly dysfunctional, with efforts to raise taxes finding only minimal success as shown in Table 1 (below).

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<sup>3</sup> Journalist William Greider (2003) contends that the aim of Norquist and others in the anti-tax movement is to reduce taxes in the U.S. to the levels it was at before the presidency of Theodore Roosevelt during the Progressive Era.

**Table 1:**  
**Individual, Corporate, and Indirect Taxes in the United States, 2006-2014**



**Source:** KPMG International. 2014. *Tax Tools and Resources*. <http://www.kpmg.com/>

While the Democratic party deserves considerable blame for its continued defense of Wall Street interests, the Republican party's internal divisions related to the emergence of the populist Tea Party bloc are especially relevant to this discussion.

Named after the Tea Party revolt 1773 mentioned earlier (Lepore, 2010), the focus of today's Tea Party movement is taxation linked to broad philosophical concerns over freedom and fears of government control. The movement is broad and diverse and, despite the arguments of some critics, in many ways a genuinely grass-roots populist movement (Skocpol and Williamson, 2012). But it is also true that, as the movement grew in influence after 2009, it became increasingly a vehicle for large corporate (e.g., the wealthy Koch brothers) and media organizations (e.g., Fox News) in their political fight against the Democrats and against efforts (as in the case of Obama's health reforms) to expand government. At the same time, it is worth noting that the U.S. government's

recent efforts to capture taxes from ex-patriot individuals and corporations that shelter their incomes off-shore likely garners support from Tea Party supporters, many of whom are middle-class. In this manner, Tea Party supporters on the populist right of the U.S. political spectrum likely share common ground with the left-populists who after the Great Recession were part of the Occupy movement.

### **Right-wing Populism and Taxes: The Canadian Case**

Canada's modern industrial and social development occurred somewhat later than in the U.S. Before 1867, Canada was comprised of a set of separate British colonies, each with its own economy and tax systems, the latter being primarily of the excise and tariff variety. After Confederation in 1867, Canada adopted a policy of economic development modeled on the U.S. that used tariffs as a means of encouraging import substitution. No other major forms of taxation were enacted, however, until 1916 when the demands of war compelled the introduction of a corporate tax. The Income War Tax was introduced the following year, replacing the earlier corporate income tax with one that also taxed individual incomes. The Act was meant to be temporary, but soon became permanent to pay for the state's gradual expansion, including in the 1920s pensions for war veterans.

The war hastened a series of social and economic changes, including industrialization, and urbanization, as well as transformations in class and gender relations. In immediate response to these changes, a number of (largely agrarian) populist parties, often inspired by their American counterparts, arose in Canada during these post-war years. These parties paved the way for a second wave of populist parties that emerged during the Great Depression of the 1930s, notable among them Social Credit, elected to form Alberta's government in 1935 (Macpherson, 1953; Finkel, 1989; Bell, 1993), and the socialist Cooperative Commonwealth Federation (CCF), that won election in Saskatchewan in 1944 (Lipset, 1968).

As in the United States, the depression and the war that followed altered Canada's political landscape out of which emerged after 1945 the welfare state. From the beginning, however, the formation of Canada's welfare state (and the raising of taxes to pay for it) faced unique problems. Some of these problems were ideological. While the left-leaning CCF generally favoured an expanded welfare state, the right-leaning Social Credit in Alberta espoused



the benefits of free enterprise and – in the context of the Cold War – denounced big government as akin to communism. The larger problem, however, was regional and constitutional.

Throughout the 1950s and after, as the federal government pushed to create a coherent national policy framework, Alberta and several other provinces denounced the expansion of the federal government for treading into areas of provincial jurisdiction as defined under Canada's constitution. This was particularly the case in the francophone province of Quebec where nationalist sentiment favoured provincial control over the key areas of health, education, and social welfare. To arguments that the federal government was overstepping its constitutional bounds was easily added the complaint that it was expropriating taxes for unwise and expensive programs. These arguments found particular resonance within the local regional populations, underscoring the political success of populist parties in these provinces (see Pinard, 1971; Harrison, 1995).

Faced with the twin dilemmas of forging a national consensus on economic and social development and the growing costs of doing so, the Canadian government in 1962 created a Royal Commission to examine Canada's tax system. The resultant report in 1966 Royal Commission on Taxation (otherwise known as the Carter Commission) argued that a broad based and progressive income tax system was a better means of increasing economic growth and productivity than were policies of lowering corporate or capital gains taxes (Lahey, 2015). This policy allowed for the expansion of Canada's welfare state into the 1970s. Stagflation – a combination of both rising unemployment and rising inflation – at mid-decade provided openings for a conservative counter-movement.

In 1984, a Progressive Conservative government under Brian Mulroney was elected. Its agenda was conventionally conservative, with a bow to lowering business taxes. In the longer term, however, its agenda embraced a series of neo-liberal shifts, including pursuit of a free trade agreement (enacted after the 1988 election) and implementation of a Goods and Services Tax (GST), or VAT, a tax measure advocated by many mainstream economists and common in European countries. The rate at that time was set at seven percent.

Though its support was initially broad-based, the Progressive Conservatives drew their support primarily from Quebec nationalists and western Canadian regionalists. After 1988, however, this support vanished. In western Canada, this support drained to a right-populist party,

the Reform Party. Founded in 1987, the Reform Party inveighed against big government, rising debt, special interests, and Quebec's constitutional demands (Harrison, 1995; Flanagan, 2009).

But it was its opposition to the GST that gave Reform Party its first significant political boost. The party carefully nurtured anti-tax sentiments along arguments similar to the movement in the United States: that it was a form of calculated government theft, an infringement on personal property, that it transferred wealth to unproductive regions and individuals, and that it was economically inefficient.

The 1993 election saw the Conservative government overwhelmingly defeated. While the Liberal party returned to office, the election's real story was the emergence of a separatist bloc in Quebec, the Bloc Quebecois, which appealed to populist nationalism in that province; and the similar rise to prominence in western Canada of the Reform Party. After briefly morphing into the Canadian Alliance Party (Harrison, 2002), these populist elements at last merged with and captured the remaining elements of the PC party to form the Conservative Party. Under Stephen Harper, the party won the 2006 federal election and has governed Canada ever since. Unlike, therefore, the Tea Party movement that remains on the fringe of actual power, the Conservatives in Canada have been able to actually implement some elements of their right-populist agenda, most notably in the area of tax policy.

Among its first acts, the government shortly after coming to office reduced the GST to six percent and then, a while later, to five percent. It has also lowered corporate taxes below that of the United States. Finally, arguing that the use of money is better determined by wage earners, the government has since also brought in an array of tax subsidies that target specific voting populations, primarily middle class families. While these measures have been questioned regarding the lack of their evaluation and general fiscal efficacy, most recently by Canada's Auditor General (2015), the raw politics are beyond dispute.

Underlying these tax changes, however, is a more general approach to governance that emphasizes a reduced role for the federal government, adherence to strict formalism, combined with the principle of subsidiarity, in constitutional matters, and a return to individual and family responsibility over that of the state. Starving the federal treasury is necessary to these aims. But the Harper Conservatives have not only shrunk government;

they have also shifted government spending in a manner commensurate with right-wing populist views, away from social to that of economic purposes, and from state to market.

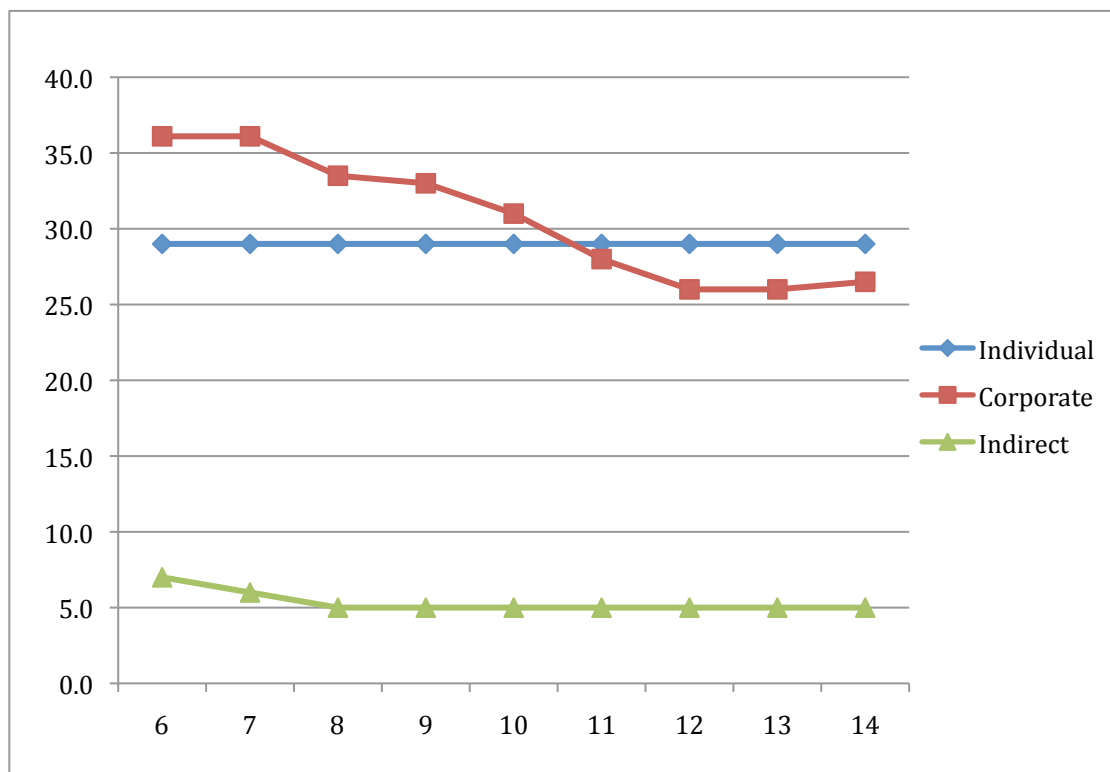
In implementing its policies, the Conservative government has received considerable social and institutional support from an array of right-wing think tanks and lobbyists who have appropriated populist arguments and rhetoric. Notable among these are the Fraser Institute and the Canadian Taxpayers Federation.

The Fraser Institute (<http://www.fraserinstitute.org/>) was founded in 1974. Supported by wealthy individuals and corporations, it is a far right conservative think tank in Canada, with a decidedly libertarian bent. Among its most prominent regular publications is Tax Freedom Day, calculated as the day each year when the total tax “burden” (the institute’s term) imposed on Canadian families by the federal, provincial, and local governments is met and individuals can begin to work for themselves (June 9 in 2014). The Tax Freedom Day calculation is perhaps the Fraser Institute’s best publicity device as it attracts enormous media attention every year.

The Canadian Taxpayers Federation (<http://www.taxpayer.com/about/>) was founded in Saskatchewan in 1990, but today is a nation-wide organization with offices in Ottawa and regional offices in British Columbia, Alberta, Prairie (SK and MB), Ontario and Atlantic. It is primarily a lobbying organization that fights to reduce and eliminate taxes, arguing that governments are too big and are wasteful. According to its website, the CTF is funded by individual supporters (\$4.2 million in 2014 from 23,526 donations).

Starting from a higher level of taxation, Canada’s decline has been more dramatic than in the U.S. in the last two decades. As shown in Table 2 (below), individual and corporate taxes in Canada today are lower than in the United States. And, though Canada also has the GST that the U.S. does not, the rate for this has also declined under the current Conservative government. In this sense, Canada’s right-populists, aided by corporate think tanks, lobbyists, and media appear to have been more successful than their American counterparts in lowering individual, corporate and indirect taxes.

**Table 2:  
Individual, Corporate, and Indirect Taxes in Canada, 2006-2014**



### Comparing the United States and Canada Among G7 Countries

Taxation levels in both the United States and Canada remain generally below that of many other industrial countries. Table 3 (below) compares U.S. and Canadian taxes with the other G7 countries. Canada's individual income tax rate is the lowest, and the U.S. the second lowest, among these countries. Canada's corporate income tax rate is now also the lowest, though the U.S. rate is the highest. And Canada's indirect tax rate is the second lowest, next to the U.S. that does not have a similar federal tax.

**Table 3:**  
**Tax Rates (%), G7 Countries, 2014**

<b>Country</b>	<b>Individual Tax Rate (%)</b>	<b>Corporate Tax Rate (%)</b>	<b>Indirect Tax Rate (%)</b>
<b>Canada</b>	<b>29</b>	<b>26.5</b>	<b>5</b>
France<1>	45	33.3	20
Germany	45	29.6	19
Italy	43	31.4	22
Japan	50.8	35.6	8
United Kingdom	45	21	20
<b>United States</b>	<b>39.6</b>	<b>40</b>	<b>0</b>

**Note:** Figures for France are 2013

**Source:** KPMG International. 2014. *Tax Tools and Resources*. <http://www.kpmg.com/>

Of course, low taxes in the U.S. and, to a lesser degree, Canada compared to the other G7 countries are not entirely attributable to recent right-populist efforts. In fact, as shown in Table 4 (below), the tax and non-tax receipts, as a percent of GDP, in both countries have for some time been lower than their G7 counterparts, the exception being Japan.<sup>4</sup> Moreover, Canada's percentage in 2013 was actually higher than in 1970, though considerably down from the 1990-2000 period when the government was focused on reducing the national debt. Similarly, though

<sup>4</sup> Japan's corporatist structure, which creates a kind of shadow welfare state, means that revenues otherwise required by the state remain the property of the large corporations.

following a less dramatic trajectory over time, the United States' total tax and non-tax receipts as a percent of GDP were near the bottom in 1970 and were the lowest among the countries in 2013. In this sense, tax revenues are relative both to countries and over time.

**Table 4:**  
**Total Tax and Non-Tax Receipts (%GDP), G7 Countries, 1970-2013 (Selected Years)**

	<b>Canada</b>	<b>United States</b>	Japan	United Kingdom	Germany	France	Italy	G7 Average
1970	<b>35.2</b>	<b>29.6</b>	21.8	43.5			29.1	29.9
1975	<b>37.0</b>	<b>29.4</b>	25.1	42.7			28.8	30.2
1980	<b>36.9</b>	<b>31.2</b>	28.6	41.9		45.7	33.6	34.3
1985	<b>38.8</b>	<b>31.4</b>	31.0	43.2		48.8	37.3	34.6
1990	<b>42.5</b>	<b>32.4</b>	33.4	39.2		47.1	41.2	35.6
1995	<b>42.5</b>	<b>33.2</b>	31.1	37.5	45.4	48.9	44.7	36.8
2000	<b>43.4</b>	<b>34.6</b>	31.3	39.9	46.2	50.1	46.0	37.6
2005	<b>40.1</b>	<b>32.3</b>	31.6	40.0	43.6	50.7	43.4	36.3
2010	<b>38.3</b>	<b>30.7</b>	32.4	39.8	43.8	49.6	46.1	35.7
2011	<b>38.2</b>	<b>30.9</b>	33.1	40.3	44.4	50.7	46.1	36.1
2012	<b>38.1</b>	<b>30.9</b>	33.3	41.9	44.7	51.8	47.7	36.3
2013	<b>38.1</b>	<b>32.6</b>	33.8	41.2	44.6	52.8	47.7	37.3

**Source:** KPMG International. 2014. *Tax Tools and Resources*. <http://www.kpmg.com/>

Nonetheless, anti-tax sentiments in the United States and Canada do appear stronger than in Europe. What might be the bases of this phenomenon?

## **The Bases of Anti-Tax Populism in the United States and Canada**

In the early twentieth century, populism in the United States and Canada lent itself to ostensibly leftwing, collectivist solutions to social and political problems. The co-optation of populism by right-wing elements in both countries deserves a more extensive examination than is possible here. Nonetheless, a few observations are possible.

First, the political marketing of low tax policy in the U.S. and Canada has a number of broad cultural supports. Anti-tax sentiment has a long mythic status within American political culture; so also, fears of government “tyranny” as prominent in the anti-tax right. Additionally, American culture embraces specific beliefs regarding Lockean notions of private property and what C. B. Macpherson referred to as “possessive individualism,” both of which are at odds with collectivist notions generative of higher taxes. While similar ideas have not been entirely unknown in Canada, they have gained traction in recent decades as Canada has become more integrated economically, politically, and culturally into the U.S. orbit.

Second, the political selling of low taxes in both countries reflects changes in the historical balance of power among competing class elements. Up until the 1970s, the Keynesian compromise equalized to a degree the power of labour and other progressive social forces and that of capital. Thereafter, however, capital – now globalized – has had the upper hand which it has used to reduce corporate and individual income taxes, the first as a direct benefit to capital, the second as an indirect benefit as private incomes are translated into consumer purchasing. Additionally, this increased corporate largesse has funded a wide array of think tanks, lobbyists, and media supportive of private capital accumulation.

Third, the respective political systems of the United States and Canada have been conducive of low tax policies. Whereas European states are centralized polities, both the U.S. and Canada are highly decentralized federations (see Martin, 2008: 34; Myles, 2015: 15), with significant power lodged at the sub-state level. The result is a series of access points for anti-tax interests to gain footholds and often to play one tax jurisdiction off against another. Additionally, the electoral voting systems of both the U.S. and Canada, unlike proportional systems seen outside the Anglo-democracies, are based on first-passed-the-post (winner take all) voting. The

FPTP system is prone to extreme, wedge politics, of which the anti-tax movement in both countries has been a beneficiary.

Finally, the impact of low taxes in itself must be considered. Anti-tax movements have been most successful in jurisdictions where tax levels are already low (e.g., California vs. Scandinavian countries). This suggests that, once tax levels drop below a certain threshold, there is insufficient revenue by which the state can show – and citizens can see – the functional benefits of paying taxes.

## **Conclusion**

Governments across countries calculate tax rates based on a series of calculations and a wide range of influences. This paper has examined the influence of populism or, in some cases, the rhetoric of populism, as one of those influences upon individual, corporate, and indirect tax rates in the United States and Canada. Taxation is not only about collecting revenues, however. It is fundamentally about broader social and political choices, including the kind of society that citizens want – and are willing to pay for.

What is the future of the anti-tax movement in North America? Ironically, while the middle class tends disproportionately to be the beneficiary of most tax-paid government programs, it also makes up the core of the right-populist anti-tax movement in the United States and Canada. This contradiction would seem impossible to sustain in the long run. Indeed, there are already signs of anti-tax fatigue. But there also remain critical cultural and political forces arraigned against a rise in taxation or a sustained return to public expenditures generally. Thus, the future of taxation in the United States and Canada must remain uncertain.

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